Potential Commonalities or Compatibilities Among the Three RRG-Developed Options for Responding to Regional Transmission Problems and Opportunities

Areas Where There is a Need for Independence:

Market Monitoring

Calculation of ATC

Planning

Access

Gathering and Handling Confidential Information

Security Coordination

Benefits of and Objectives for Independence:

Fundamental accountability

Unbiased Decisions (not unduly influenced by market participants)

Integrity of process (ability of all affected parties to trust the process)

Openness

Transparency

Dispute resolution (or ability to get past impasses)

Group 1 – Planning and Expansion Issues

1.a Internal Planning

Potential commonalities, compatibilities among the options:

- Need for effective planning, including a single regional plan (performed cyclically and system-wide, and feeds into west-wide planning process)
- Planning body maintains a common database
- Need to get started on planning now
- Need for decisions that are independent of market participants
- Need to improve process of studying and responding to generation interconnection requests (single queue for transmission service requests among all options; Option 2 and Option 3 also have single queue for interconnection request)
- Need to get appropriate expansion
- All options rely on the market to respond to expansion needs in the first instance; Options 2 and 3 provide for additional mechanisms
- Need to have clarity as to what parties paying for expansion get in return (e.g., in Option 3 you get financial rights tied into the congestion management system; in Option 1 you get point-to-point or capacity rights for the life of the facility – the rights are significantly different among the three options)
- Provide for a backstop or keep open the possibility of putting in a backstop if needed (but some are concerned that having a backstop will interfere with the market – everyone will be tempted to wait for the backstop to kick in and "socialize" the cost of any needed projects; others are concerned that there are not currently adequate incentives for voluntary expansion); how to deal with projects where there are beneficiaries beyond just the system owner

Idea offered by an individual RRG participant:

- A possible approach is to have a progression of steps. (Notes that Option 3 backstop is hard to get to (many hoops to go through first), and Option 1 does allow that there could be a point of getting to a backstop also.)

1.b West-wide Planning

Potential commonalities, compatibilities among the options:

- Regional planning process feeds into west-wide process

1.c System Expansion

Potential commonalities, compatibilities among the options:

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Additional comments by individual RRG participants:

What is the process for making decisions if we discover that what we have started with is not working? (For example, if we start with no backstop and then discover that we need one, what is the process for putting one in place? – Don't want to reconvene lengthy RRG discussions.)

A major factor in lack of action of new infrastructure so far is lack of necessary information for market participants to identify what projects make sense, and also that the presence of a backstop could actually function as an incentive for market participants to come forward

Fear of regulatory "takings" has been an obstacle (need to ensure that value of the investment over time, both from the recovery side and the rights side)

Group 2 – Use of Existing System Issues

Potential commonalities, compatibilities among the options:

- Independent calculation of flow-based ATC

- Centralized schedule processing (although each option accomplishes this differently; different logistical steps)

- Recognition of real flows on system, especially for making service available on a short-term basis
- Recognition of need for generator movement when system has problems (change in flows, not just changes in schedules)
- Desire for rules applicable to generators using the system to be uniform (same for utility generators and independent generators)
- Preserve existing rights
- Voluntary approach to managing congestion (voluntary incs and decs)
- All options support continuing bilateral markets
- Better view of system on pre-schedule and real-time bases
- Obligation of transmission owners to provide facilities adequate to support all service obligations
- Need for security coordination function to be independent
- None of the options preclude voluntary control area consolidation

Additional comments by individual RRG participants:

If independent generators are to give up authority to another entity (for emergency operations), only willing to do so if entity exercising the authority is independent

Real-time responsiveness and ability to see entire system may be a fundamental "litmus" test

Desire for further discussion of aspects that distinguish Option 2 and Option 3 concerning approach to operations (Option 3 provides for a single NERC-certified control area operator; it supports bilateral markets as well as RTO-run centralized markets); see similarities with Option 2 and would like to explore what are the differences and why

In Option 2, the Independent Administrator does not actually operate the system – it relays instructions to the transmission owners – desire to see a system of bilateral transactions with the transmission owners continuing to be the service providers; there was also a question of triggering FERC jurisdiction; control area consolidation would be voluntary if justified by economics (same for Option 1), but not compelled; also, Option 2 was looking to formulate a "light," low-cost approach, but it did leave open the possibility that there could be "optional" services between the Independent Administrator and participating transmission owners

Are there significant distinctions among the options concerning the hardware, software, metering, and communications needed to implement?

Need to distinguish between market operations and system operations**?**

Can we relax the "boxes" we put around Option 2 and Option 3 and work together to seek more common ground?

Group 3 – Long-Term Access

Potential commonalities, compatibilities among the options:

3.a Physical Interconnection

- FERC is developing a standardized process governing generator interconnection – does this take this issue out of our hands?
  - RTOs and ISOs have leeway to adopt any reasonable policies they choose to develop concerning payment for system upgrades, and FERC will consider giving deference to those (also some potential deference for independent schedulers)
  - This affects all the options – is it worth it to come together as a region to try to get that deference?
- Need for independence governing interconnection process (Option 1 will facilitate independence to the extent it is needed – Option 1 also distinguishes between interconnection requests and transmission service requests)
- Independent calculation of system impacts in response to interconnection requests or ATC in response to service requests (based on actual flows)
- As they currently stand, all options contemplate that a generation interconnection agreement would be between the transmission facility owner and the interconnecting party (but goal for Option 3 is to develop a standardized form of interconnection agreement)
- Options 2 and 3 propose that interconnection requests would be processed through a single system-wide integrated study mechanism, while Option 1 would direct interconnection requests to the transmission owner whose facilities are involved (unless the interconnection would affect more than one facility owner)
- At the point of interconnection, the tariff that controls is the tariff related to the facilities where the interconnection will occur (whether that is a company tariff or a regional tariff)

Additional comments by individual RRG participants:

Questions: Who performs evaluation? Who decides whether to accept an interconnection or service request? Who is obligated to make any needed system modifications? Who is the counterparty to the interconnection agreement? Who is the counterparty to the transmission service agreement? Where are the rules governing interconnection specified?

Also – we need to distinguish between interconnection to transmission system versus to distribution system, because there are important differences

Group 4 – Control Area Function Issues

4.a Short-Term Reliability

Potential commonalities, compatibilities among the options:

- Need for approach to dealing with real-time system problems where we get real changes in flows, not just schedule changes that don't necessarily alter flows
- Start with voluntary transition to consolidated control areas (only initially for Option 3, which contemplates an end state with a single, independent system operator (one NERC-certified control area, but getting there through methodical, logical steps) whereas with the other options control area consolidation is always voluntary/optional)
- Rely on an independent security coordinator as last line of defense to preserve reliability in real time (and set of mechanisms where all interconnected generators are subject to equal rules and authority with respect to responding to security coordinator directions)

Additional comments by individual RRG participants:

Would it be beneficial to the region to take an approach that enables consolidation of control areas, to be managed by an independent body, (and starting with that only if you have "critical mass"), but that allows others to transition if and when they feel it makes sense for them?

4.b Ancillary Services

Potential commonalities, compatibilities among the options:

- There will be a regional entity that will promote or run a bulletin board for buying and selling ancillary services (although this is just a transitional stage for Option 3 on the way to centralized markets with reported clearing prices)

- Options 1 and 2 – transmission owners retain obligation to act as ancillary services provide of last resort; Option 3 provides for the RTO to be the provider of last resort that purchases IOS through a voluntary bid-based market process

- A challenge for all three options is how to deal with market power problems (especially load pockets) – none provide for a "must-offer"

Group 5 – Cost Recovery Issues (Including Rate Pancaking)

Potential commonalities, compatibilities among the options:

5.a Embedded Cost of Existing System

- Looking for opportunities to promote economic dispatch

- Export fees

5.b Rate Pancaking

- Options 1 and 2 leave open exploring ways to eliminate rate pancaking if it makes sense; Option 3 eliminates rate pancaking

Group 6 – Market Power Issues

Potential commonalities, compatibilities among the options:

- All options acknowledge the need for an independent market monitor; significant differences in what would need to be monitored under the different options

Group 7 – "Ballpark" Costs, Benefits and Timing Issues

Additional comments by individual RRG participants:

Need for "open architecture" and clarity concerning what the process is if we decide we need to make adjustments (without an extremely protracted process)